



COALITION ON HUMAN NEEDS

**The President's
Fiscal Year 2006 Budget**

Dangerous Choices:

**Administration's Budget Proposals Threaten
Real and Lasting Harm to Millions of Americans**

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Overview: Dangerous Choices

If the President's budget proposal is enacted millions fewer vulnerable people will receive health care, rehabilitation, job training, nutrition aid, child care and preschool education than receive these services today. The promise of educational improvement will remain unfulfilled, with funds insufficient to move from testing to learning. Struggling families will pay more for rent, with less help to pay the rising heating bills.

The cuts proposed for next year are bad enough. But the budget proposes to make things worse with each subsequent year. Cuts grow harsher between now and 2010, and they will be painful to young and old, to struggling workers and people with disabilities. The Administration proposes to restrict federal contributions to very basic services – even including services for abused and neglected children and health care for the poor. By proposing rigid limits on federal funding, the Administration would walk away from the federal responsibility to share with states the cost of providing for the health and protection of people who have nowhere else to turn. The President's budget makes these harmful choices:

- It cuts services and benefits that offer people the opportunity to rise out of poverty, while protecting tax cuts for the affluent;
- It places a rigid five-year cap on a wide range of services that will cause human needs programs to be cut deeper and deeper each year;
- It makes cuts in Medicaid and Food Stamps, two of the services most vital to low-income and vulnerable people;
- It proposes block grants for child welfare, Head Start, housing, job training, and community development services in order to limit the federal responsibility to meet need; and
- It proposes budget rules that protect tax cuts over people.

As Congress begins its work on the budget resolution, it faces the most basic choice. It can invest in children and families, protect the vulnerable, and contribute towards rebuilding communities, while taking responsible steps to avoid passing down unsustainable deficits to our children. Or it can protect unaffordable tax cuts for special interests and abandon federal responsibilities Americans want and need.

I. Wrong Priorities

In Seattle, Leah Huck was able to get training as a medical assistant because she received federal help to pay for her three-year old son's child care costs. Then she got a permanent job paying \$25,600, too much income to be eligible for any more child care help. Her monthly child care bill shot up to \$720 – one-third of her gross pay. She thought she would have to cut back her work hours, a step backwards to remain eligible for the vital child care. Leah was lucky, and found a city of Seattle child care program that helped.¹

Since 2003, the number of children in low-income families receiving federal child care help declined by 200,000 nationwide. According to the President's budget documents, the number of children served will drop by another 300,000 by 2009. That will mean fewer mothers like Leah Huck will be able to afford quality care for their children.

And the odds of getting help from a city program are likely to worsen. The Administration's budget cuts the wide range of grants in aid programs to states and localities by nearly \$71 billion from 2006 through 2010, a loss of \$1.3 billion in Washington state.² With less federal help in education, human services, community development, environmental and other programs, cities and states are more likely to cut further than to make up the federal reductions.

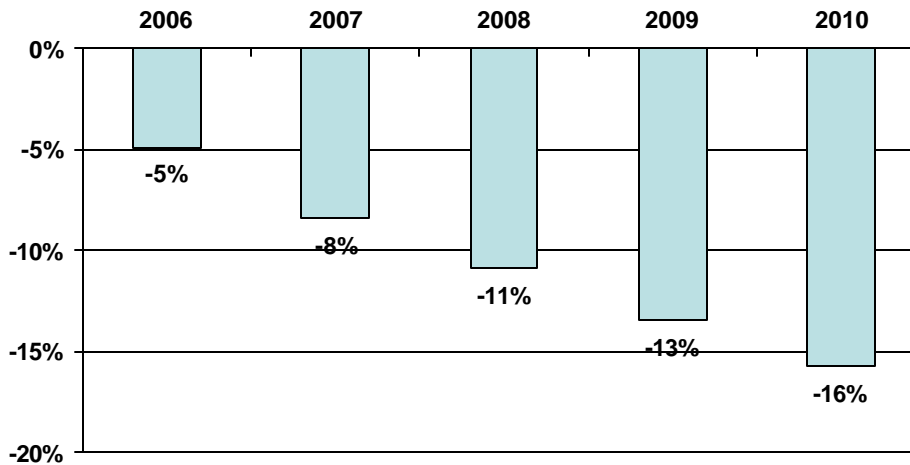
In Tuscaloosa, Alabama, the Machens family has gotten help from Medicaid to pay some of the costs of medical care for their eight-year-old daughter Maggie, who has cerebral palsy. Ken Machens has private insurance through his job, but it won't cover the \$1,200-a-month formula Maggie receives through a stomach tube or the \$500 co-pay when her wheelchair has to be replaced as she grows. The family has already lost nursing care from one service that no longer accepts Medicaid patients because of the low payments Medicaid provides.³

State Medicaid programs will be squeezed tighter if the President's net \$45 billion 10-year Medicaid cut is enacted by Congress. In 2004, virtually every state had adopted various Medicaid cost controls, including limits on prescription drug coverage, reduced eligibility, or increased co-payments by patients. Many states acknowledged that it would have been worse if the federal government hadn't provided \$20 billion in temporary relief for states, of which half was specifically to reduce state Medicaid costs. The one-year relief expired in June 2004. States will have difficulty adjusting to the loss of the temporary Medicaid help, and even more difficulty if they are forced to make the cuts in the President's budget. If states respond by cutting provider rates, more doctors will leave Medicaid, causing more families like the Machens to be unable to find Medicaid-covered care. If states restrict access to prescription drugs or medical equipment, families with chronically ill members will be hit hard.

Millions of other Americans who need services funded by the federal government will be affected by the cuts proposed. Some of the reductions would take effect in the coming year – hitting energy assistance, juvenile justice programs, aid to low-income communities, and job training, for example. But each year through 2010, the cuts will get broader and deeper. The President calls for a five-year cap on funding for programs needing annual appropriations – the so-called “discretionary” programs, which include education, Head Start, WIC, job training, environmental protection, and much more. Even programs scheduled for modest increases in FY 2006 (such as No Child Left Behind education programs and WIC) will decline by 2010. In 2010, the loss will average 16 percent below the cost of providing current services, or \$214 billion cut over five years. These reductions do not count changes the President is seeking in mandatory programs including Medicaid and Food Stamps.

The President's 5-Year Cap Proposal: Cutting Domestic Discretionary Programs More Each Year

(Excludes homeland security programs; compares funds available to the inflation-adjusted cost of providing current services)



Source: Center on Budget and Policy Priorities, available at <http://www.cbpp.org/2-28-05bud.htm>

The President's budget makes dangerous choices. When pediatrician Dr. Deborah Frank heard of the budget's cuts to nutrition, health care, housing, and energy assistance for low-income families, she said "It's sort of like a researcher who's been trying to find a germ, and somebody calls them up and says you know that germ you've been working on, the one that makes children sick and slow and stunts their growth? Yes, I know that germ. Well the government is about to blow it through the air vents on many more children."⁴ Dr. Frank has worked with other physicians to survey 15,000 low-income infants and toddlers in six cities, and found that food insecurity – families not able to afford an adequate diet – rose from 20 percent to 29 percent from 2000 to 2004. Food insecurity is related to more health problems and more hospitalizations among young children. The physicians also found that the Women, Infants and Children (WIC) nutrition program, Food Stamps, housing vouchers, and energy assistance protected children from being severely underweight.⁵ All these programs would be cut in the President's budget.

Congress can make other choices. As Congress takes up the budget resolution, its members can make decisions based on the right priorities – making it easier for hardworking parents to get good jobs and to provide for their children's health, development, and safety and protecting older people and those with disabilities who cannot work. The reductions in human needs programs throughout the President's budget are the wrong choices – and they are unnecessary. The President's budget chooses to protect and expand unaffordable tax cuts at the expense of people who need health care, education, or help with food or shelter.

The budget places the full burden of deficit reduction on services needed by average- and low-income people, although the tax cuts make up by far the largest share of the plunge from surplus to deficit. The tax cuts enacted since 2001 will cost \$1.9 trillion through 2011, by which time they are all scheduled to expire. Extending the tax cuts through 2015 will cost another \$2.1 trillion. Although some have blamed the deficit on "runaway spending," in fact the stampeding tax cuts make up almost

half (48 percent) of government actions that contributed to the current more than \$400 billion deficit. Defense, homeland security, and international expenditures were responsible for another 37 percent. All domestic programs (except homeland security) accounted for only 15 percent of the government actions that contributed to the shift into red ink.

Protecting tax cuts, not people.

For half the cost of the tax cuts in 2010, the reductions in education, environmental protection, health, nutrition, and social services could be avoided. In 2010, continuing the tax cuts enacted since 2001 will cost \$53 billion, including payments for interest on the deepening debt. In that same year, the President’s budget cuts more than \$26 billion below the cost of continuing all the discretionary programs at current levels of service. With the funds left over from ending the tax cuts, there would be more than enough in 2010 to prevent the cuts made in the President’s budget in mandatory programs such as Medicaid and Food Stamps.

The capital gains and dividend tax cuts. The reduction in tax rates for capital gains and dividend income is scheduled to expire in 2008, and Congress may choose to extend these tax cuts in this year’s budget resolution. According to the Tax Policy Center, in 2005 the capital gains and dividend tax cuts cost \$22 billion. Millionaires will receive more than \$10 billion of this total – nearly 46 percent. Their tax cut from this provision alone averages \$35,491 each in 2005. (Less than 3 percent of the capital gains and dividend tax cuts is received by people with income less than \$50,000.)⁶

The No Child Left Behind Act authorized \$22.75 billion in FY 2006 for elementary and secondary education for the disadvantaged (Title I), but the President’s budget only proposes \$13.342 billion for the coming year, a \$9.4 billion shortfall.

<i>Which is the best choice?</i>	
Capital gains and dividend tax reduction for millionaires:	\$10.0 billion
<i>or</i>	
Funding the promised amount for education for disadvantaged children:	9.4 billion

Letting the wealthy receive more tax cuts from deductions and exemptions: Starting in 2006, additional tax cuts take effect that will overwhelmingly benefit households with incomes over \$200,000. Over the ten-year period ending in 2015, these tax breaks will cost \$197 billion, including the extra interest payments on the national debt. In 2010, taxpayers with incomes from \$75,000 to \$100,000 will average \$1 in tax reductions from this provision (yes, one dollar). Those with incomes from \$500,000 to \$1 million will average \$4,141, and millionaires will receive an average \$19,234. In 2010, the cost of this tax cut is \$9 billion.⁷

Which is the best choice?

Higher deductions and exemptions for the well-off: \$9.00 billion

or

Avoiding Administration's cut to special education for the disabled: 2.30 billion

Avoiding Administration's cut to School Improvement programs: 1.19 billion

Avoiding Administration's cut to WIC

(infant, child, pregnant women nutrition) 0.47 billion

Avoiding Administration's cut to Head Start and services to abused and neglected children: 1.14 billion

Avoiding Administration's cuts to community development: 2.12 billion

Avoiding Administration's cuts to vocational and adult education: 1.27 billion

Avoiding Administration's cuts to low-income energy aid (LIHEAP): 0.16 billion

Total: \$8.65 billion

When Americans are asked about their priorities, they support investments in education, jobs, and health care and protections for vulnerable people. As the House and Senate Budget Committees draft their budget resolutions, their work should reflect these sensible priorities.

Those who opt without blushing for tax cuts so exclusively aimed at the wealthy argue that tax reductions are investments that stimulate the economy. Many economists do not agree. On the contrary, many believe that sustaining high deficits by making these tax cuts permanent is a drag on our economy. The Congressional Budget Office summed up studies of the tax cuts' likely bad long-term effects on the economy by saying "tax legislation will probably have a net negative effect on saving, investment, and capital accumulation over the next ten years."⁸ That is because the resulting large deficits increase the cost of business borrowing, dampening economic growth. On the other hand, there is a large body of evidence to show that preventing children from succumbing to chronic illnesses helps them to do better in school and to succeed later in life. Adequate nutrition and access to health care improves children's health. Yet the Administration's budget cuts Food Stamps by \$1.1 billion over 10 years, reducing enrollment by up to 300,000 people. And its Medicaid funding cuts will be high enough in the fifth year to equal the cost of providing coverage to 1.8 million children.

Which are better investments?

Capital gains and dividend tax cuts for 284,000 millionaires, ***or***

Medicaid coverage for 1.8 million poor children?

Increasing the total tax cuts for the same 284,000 millionaires by \$19,000 in 2010,

(from \$133,000 to \$152,000, on average) ***or***

Continuing Food Stamps for 300,000 people, WIC for 660,000 infants, young children, and pregnant women, and adequately funding elementary and secondary education?

Much is at stake. Federal expenditures have played a vital role in expanding access to health care and affordable housing and reducing hunger and poverty. Because benefits like Food Stamps and Medicaid can increase to match growing need during economic downturns, they play an important role

in mitigating the impact of a bad economy. States are very limited in their capacity to play this role. Because their budgets must be balanced, states tend to cut benefits and services when their revenues decline – just when the need is growing. Instead of recognizing the federal government’s important countercyclical role, the Administration proposes multiple ways to limit federal spending and authority – not just for a year, but by making long-term structural changes in programs and in budget rules. Among the changes sought: (1) five-year caps in discretionary spending; (2) block grants and other similar restrictions in human needs programs; and (3) changes in the rules under which Congress produces a budget. In the past, members of Congress have gone even farther, proposing rigid caps on mandatory (entitlement) spending. These approaches all represent unprecedented structural changes that drastically cut back vital human needs programs.

II. Cuts, Caps, and Human Needs

1. The Five-Year Cap on Discretionary Programs

As noted, the President’s proposal sets funding levels for all programs requiring annual appropriations, and then for five years does not increase the total at all – not even to adjust for inflation. Defense and homeland security are allowed to increase, however, resulting in substantial reductions in other programs. The Administration has sought credit for cutting the deficit in half in five years, but has not wanted the blame for the harm these cuts will cause. So it has withheld detailed program information past FY 2006. It is possible to calculate certain category totals through FY 2010, and we are indebted to the Center on Budget and Policy Priorities for undertaking that analysis.⁹

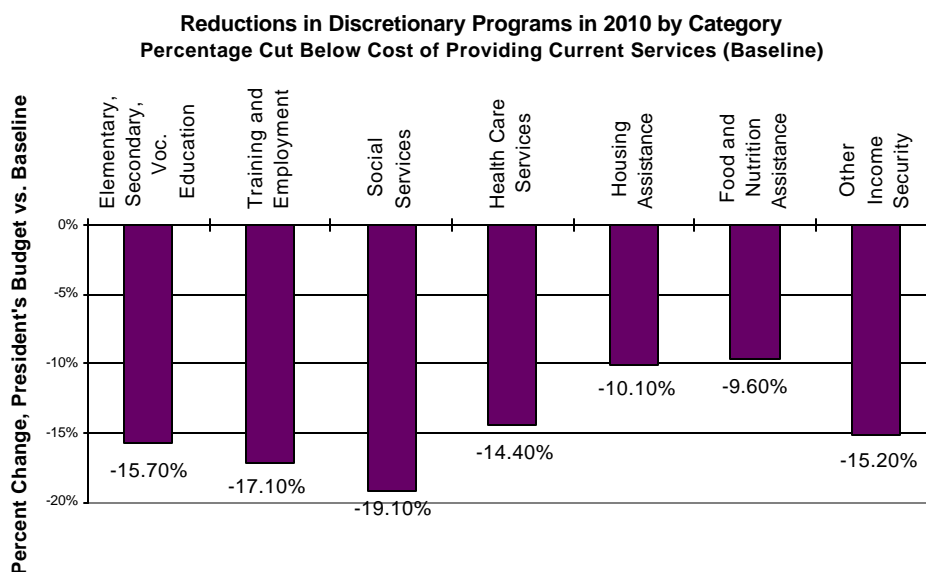
Comparing spending in human needs categories in FY 2010 to the baseline (the amount needed to continue providing current services in 2010), we see reductions ranging from about 10 to 20 percent (see next page). These are not just numbers. The reductions mean less investment in people and communities. Despite the fact that more families are reporting that they are unable at times to afford enough food, by 2010, WIC would serve 660,000 fewer infants, young children, and pregnant women than now. In 2010, there would be 118,000 fewer children in Head Start, down from the current 906,000, despite the fact that this proven successful program only reaches about half the eligible children.

Over and over, the Administration’s budget cuts services that provide opportunity for low-income Americans. In FY 2006, programs that encourage low-income high school students to go to college (Upward Bound, Talent Search, GEAR UP) are dropped. The budget cuts \$2.17 billion in vocational and technical education, college readiness and similar programs, and then puts back \$1.25 billion as part of a high school initiative, for a net loss of \$920 million. (The Administration also provides \$250 million for new high school testing, while cutting funds that should be used to improve high school students’ and adults’ skills.) While Pell grants for college students are to go up \$100 a year, to \$4,550, the Perkins higher education loans, averaging \$1,825 a year, are eliminated. Juvenile delinquency prevention programs are slashed by 60 percent, despite the fact that after-school and other programs can prevent juvenile crime, saving money and lives. Job training and adult education programs would be cut, worsening a trend that has already reduced by more than one-third the number receiving training from 1998 to 2002.

This budget does not spare populations with special needs. Grants for constructing accessible housing for people with disabilities are cut in half in 2006. In 2010, funds for special education for

children with disabilities would be 18 percent lower than the cost of providing services now, adjusting for inflation.

Annually appropriated social services for families with children and for the elderly are major components of a category cut 19 percent in 2010. Substance abuse and mental health funding also decline. While the budget conspicuously leaves out the details after 2006, the totals in the broader categories for the later years show a serious reduction in resources affecting every age group from infant to elder.



Included in Categories:

Elementary, Secondary and Vocational Education: Education for the Disadvantaged, Impact Aid, School Improvement, English Language Acquisition, Special Education, Vocational and Adult Education, Indian Education, Innovation and Improvement, Safe Schools and Citizenship Education, Education reform and Reading Excellence, Other.

Training and Employment: Training and Employment Services (inc. job training reform and consolidation), Older Americans Employment, State employment Services and National Activities, Other employment/training.

Social Services: Rehabilitation Services, Americorps, Senior Corps, Children and Families Services Programs, Aging Services Program, Other.

Health care services: Substance Abuse and Mental Health Services, Indian Health Service, Health Resources and Services Administration, Disease Control, Research, and Training, Public Health Preparedness, Departmental Management and other.

Housing assistance: Section 8 Rental Assistance, Public Housing Operating Fund, Public Housing Capital Fund, Homeless Assistance, Other HUD programs, Rural Housing Assistance.

Food and Nutrition Assistance: WIC, other nutrition programs.

Other Income Assistance: Refugee Assistance, LIHEAP, Child Care and Development Block Grant (discretionary portion), SSI administrative expenses, Office of the Inspector General, Social Security Administration.

Community Development: (note: the President's budget proposes to move these and other programs to the Commerce Department, consolidating 18 federal grant programs worth about \$5.7 billion into a block grant funded at \$3.7 billion.) Community Development Fund, Community Development Loan Guarantees, Community Development Financial Institutions, Brownfields Redevelopment, other community development programs.

Selected Human Needs Cuts in the President's Budget

- **Medicaid** is cut \$60 billion over 10 years (new initiatives add \$15 billion in spending, for a net cut of \$45 billion). In the fifth year of these cuts, the funds lost to states would be enough to provide health coverage to 1.8 million children or 345,000 people over 65 nationwide.
- **Food Stamps** are cut \$1.1 billion over 10 years. An estimated 200,000 – 300,000 people will lose Food Stamps as a result of this cut.
- **WIC** would be cut \$658 million from FY 2006 - FY 2010 – if achieved by reducing the number participating, this would mean 660,000 fewer babies, young children, and pregnant women receiving WIC assistance.
- By FY 2009, 300,000 fewer children will receive **Child Care** assistance than today. This is in addition to the loss of 200,000 child care placements that has occurred since 2003. Federal child care funding has stayed the same for the last three years, and would remain unchanged through FY 2010 in the President's proposal. Each year, inflation shrinks the value of the child care funds.
- The budget cuts the number of children served by **Head Start** by 25,000 in FY 2006 and by 118,000 by 2010. The budget calls for demonstrations in a number of states to transfer the authority to run Head Start away from local programs and to the state.
- **Elementary Education** (No Child Left Behind) is underfunded by at least \$12 billion in FY 2006. While these education funds rise 3 percent after inflation over the previous year, they fall short of the amount promised to school districts by the legislation. (The cumulative shortfall since the legislation passed is almost \$40 billion.)
- **Special Education** programs for children with disabilities would be cut 18 percent in 2010, taking inflation into account. Between FY 2006- FY 2010, the cuts would total nearly \$7.6 billion.
- The budget cuts \$920 million from **high school and vocational programs**. The President's budget highlights a \$1.5 billion high school initiative, which includes \$250 million for expanding No Child Left Behind-type testing to high school. The remaining \$1.25 billion for high school programs is what is left after eliminating \$2.17 billion in vocational and technical education, college-readiness and similar programs.
- **Literacy, basic education and English as a Second Language** services would be cut by at least two-thirds in FY 2006. At least 470,000 people would lose access to these services.
- **Job Training and Employment Services** is cut by nearly \$281 million from various job training programs, a 4 percent cut from current funding. The budget eliminates programs for migrant and seasonal farmworkers and youthful offenders.
- **Community and Economic Development** is cut by nearly \$2 billion. These programs provide housing, transportation, and other economic development assistance for low-income communities. The budget eliminates \$5.7 billion in 18 such programs, replacing them with a new \$3.7 billion block grant.
- The budget cuts **LIHEAP** (Low Income Home Energy Assistance Program) by \$182 million (down from nearly \$2.2 billion in FY 2005). The Administration projects that 4.5 million low-income households will receive energy assistance in FY 2006.
- The Administration again proposes a block grant for **foster care**, prevention, case management, and other **child welfare** services. A block grant would end the 40-year federal guarantee of financial support for foster placements for abused or neglected children. States opting for block-granted funding may receive an increase in the first year, but over 5 years overall funding is the same as under current law, meaning that states receiving more in the first year would receive less in future years, even if the number of abused or neglected children rises. Other child welfare programs are level-funded, despite the fact that about 370,000 abused or neglected children now receive no services. Providing them with home visiting services would cost about \$1.1 billion a year over current funding levels.
- The budget proposes to restrict federal outlays for **Section 8 rental vouchers** by ending the current practice of providing local housing authorities with the funds necessary to support a specified number of rental vouchers. Instead, the housing authorities would receive a pot of funds and would be allowed to adopt restrictive policies such as time limits or higher tenant payments if the funding were inadequate to cover rising rents. In 2010, 370,000 fewer families would receive rental vouchers than in 2005

2. Block Grants: Another Way to Curtail the Federal Role

The Administration continues its efforts to reduce the federal responsibility to meet needs by consolidating multiple programs within block grants. These grants to states reduce funding now and/or are designed to shrink federal expenditures over time. Their hallmark is an attempt to win an unholy bargain - states or localities receive less money, but gain more authority to reduce benefits, eligibility, or other program rules in order to control costs. Low- and moderate-income people are inevitable losers in such a bargain; they may be joined by state elected officials who are blamed when services decline. Among the many block grants proposed:

- **Rental housing vouchers:** The Administration proposes to allocate a pot of money to each housing authority, giving them more authority to stretch their money farther by charging tenants more, placing time limits on the use of vouchers, etc. Under current law, housing authorities are granted a certain number of vouchers and federal funds flow to support them based on local rent costs. Because the amounts allocated under the proposal will not keep pace with rising rents, by 2010 it is projected that 370,000 fewer families would receive rental vouchers.
- **Community development:** The President proposes to consolidate 18 community development programs into one block grant within the Commerce Department, while massively cutting the funds. Programs targeted to assist low-income communities, including rebuilding infrastructure, job training, child care and after-school programs, rural development, transportation, etc., are reduced from a combined \$5.7 billion to about \$3.7 billion. From FYs 2006 – 2010, the cut will exceed \$9 billion. [Note: at the same time the Administration drastically reduces public resources for local communities, it has been rewriting the regulations for the Community Reinvestment Act to reduce private resources too. The new regulations significantly limit the current requirements that financial institutions make some investments and loans in low-income communities.]
- **Foster care:** Under current law, federal contributions towards the support of children in foster care are open-ended; as the caseload rises, federal funds rise as well. The Administration wishes to exchange this approach for a block grant with fixed funding. The “bait-and-switch” approach for states is that although total funding stays the same for five years, states may spend more at the beginning on the assumption that the preventive services they will implement will reduce costs in the later years. Every child welfare advocate wishes to increase the amount spent on services that support families and prevent child abuse, but many are deeply concerned that future crises like the crack cocaine epidemic will swamp the already overburdened child welfare system without open-ended federal payments.
- **Head Start:** In a turn-around from the usual rationales about block grants encouraging more local control, this proposal would move administration of Head Start from localities to state government. The Administration had previously proposed to restructure all of Head Start in this way, but concerted opposition caused it to reduce the scope to a nine-state pilot program. The budget would place \$45 million in the Head Start account for the administrative costs of implementing the pilot. The proposal would move authority from local Head Start programs to the state, which would be free to reduce the scope of services now provided by Head Start. Opponents of the block grant do not want to risk the end of the comprehensive services provided by Head Start, fearing that states will merge these funds with other preschool programs that do not offer as much.

- **Job Training:** The Administration proposes to consolidate current funding for adult, youth, and dislocated worker training into one block grant under the Workforce Investment Act, also giving states the option to add four other funding streams covering employment and labor market services, the Work Opportunity Tax Credit, and additional dislocated worker funding. The combined funding is cut about 4 percent. Current requirements that certain amounts of funding be earmarked to train specific groups (youth or dislocated workers, for example) would be ended or reduced, and funding would be diverted from training to pay the administrative costs of maintaining one-stop centers.

These new proposals would join existing block grants such as the Social Services Block Grant, the Child Care and Development Block Grant, and Temporary Assistance for Needy Families. These three have either remained frozen for multiple years or, in the case of SSBG, have first been cut and then remained at the same funding level for a prolonged period. With every year, inflation erodes the purchasing power of these block grants.

3. Changing the Ground Rules: Budget Process Changes to Protect Tax Cuts, Not People

The Administration also proposes that Congress adopt rules to permanently tilt the playing field in favor of more tax cuts for corporations and the rich and less spending for low- and moderate-income families. In addition to the 5-year cap on discretionary programs described above, the Administration proposes these other rule changes:

The budget would make it extremely difficult to improve basic programs that serve low-income families - while making it easier to pass more tax cuts. Under the President's plan, Congress could not expand or improve programs like Medicaid unless they paid for the improvement by cutting from the same or other mandatory programs. Mandatory programs – which are funded automatically - include Medicaid, Medicare, Social Security, Food Stamps, School Lunch, Supplemental Security Income (SSI) for the elderly or people with disabilities, Foster Care, and Temporary Assistance for Needy Families (TANF).

The President's budget would limit spending for mandatory programs by an unbalanced “pay-as-you-go” rule, even prohibiting Congress from paying for improvements in a mandatory program by raising a specified tax or other revenue source. But tax cuts would be exempt from the rule. Congress could pass even more tax cuts, even if they increased the deficit. A “pay-as-you-go” rule in effect in the 1990s was critical to reducing the deficit but it applied *both* to mandatory programs and tax cuts.

The budget would further discourage improvements in mandatory programs by steep long-term requirements. Under the President's plan, a select group of mandatory programs would be subject to an even stricter “pay-as-you-go” rule. The Congressional Budget Office would be required to estimate the 75-year cost of an improvement (spending increase) in a program subject to this rule. Congress would have to pay fully for an expansion in one of these programs over the course of the next 75 years by cuts to the same program or another mandatory program in the select group. The programs subject to this ultra-strict 75-year pay-as-you-go rule are Medicare, Supplemental Security Income (SSI), federal military or civilian retirement, veterans' disability benefits, Medicaid - and in due course any other mandatory program that the White House chooses to include. Tax cuts are of course not subject to any such requirements.

The budget would require Congress and the White House to estimate the cost of extending or making the tax cuts permanent as \$0. Under the President's plan, the Congressional Budget Office and Office of Management and Budget would hereafter treat the extensions of the 2001 and 2003 tax cut as if the extensions have already been enacted. But the true cost of extending the tax cuts, according to the Congressional Budget Office's March 4 estimate, is more than \$1.6 trillion over the next ten years (that includes interest but does not include any change in the Alternative Minimum Tax, which will add greatly to the cost).¹⁰

One more threat: Congress may propose caps on basic services. While the President's budget includes a rigid 5-year cap on discretionary (annually appropriated) programs, it does not apply such a cap to mandatory programs. But the House and Senate Budget Committee chairs have both supported mandatory caps in the past. They go a dangerous step farther than the President's proposal to require that any improvement in mandatory programs be paid for by cuts in the same or other mandatory programs. That proposal discourages new spending; a cap would actually impose cuts below current spending levels. The President's budget does cut Medicaid and Food Stamps, but a cap would likely cut many more programs, with reductions growing worse year by year. Congress could impose a cap on mandatory, discretionary programs or both, either as part of the budget resolution or in separate legislation. If it enacted separate legislation, Congress can give the executive branch the power to enforce caps, allowing the Administration unilateral authority to reduce items that exceed the cap. If caps are applied through the budget resolution, they cannot include the transfer of authority to the executive. But Congress can use one year's budget resolution to enforce caps in future years by requiring that any future attempt to exceed a cap be ruled out of order. Senators wishing to override the cap would therefore have to secure 60 votes – generally a tall order.

III. Congressional Next Steps

Budget Resolutions and Reconciliation: Congress' Way to Force Cuts in Mandatory Programs

The Budget Committees are expected to include in their budget resolutions directives to certain committees to prepare legislative changes that will result in cuts to mandatory programs. These reconciliation directives are a powerful tool because they will result in a reconciliation bill that compiles specified changes to mandatory programs. That bill cannot be filibustered in the Senate, and so can pass with only a simple majority. Here is where Congress can make – or turn away from – dangerous budget choices. **The budget resolution should not include instructions to cut vital services.** The Congressional Budget Office Director Douglas Holtz-Eakin writes in his analysis of the President's budget that if the tax provisions from the 2001 – 2003 tax cut bills were allowed to expire, according to CBO's baseline deficits would turn to small surpluses by 2012. By insisting on extending the tax cuts, the President's budget piles up a deficit at more than \$1.6 trillion below CBO's baseline through 2015 (not counting the extra cost of addressing the Alternative Minimum Tax). The CBO analysis makes it clear that tax cuts, not spending, are responsible for the lion's share of the deficit. Reducing tax cuts, not necessary spending, should form the basis of a deficit reduction strategy.

There are rumors, however, that Congress is considering not one but two reconciliation bills – one to cut services and another to extend some of the tax cuts. It is said that Congress is considering separating the two so as not to expose the inequitable choices of cutting health care, education, and nutrition in order to continue tax cuts that benefit the affluent.

The members of the Coalition on Human Needs are not fooled by such stratagems. Asking vulnerable people to shoulder the burden of rich people's tax cuts is a choice that is dangerous to them and foolhardy for the rest of us.

¹ Paul Nyhan, "Feeling the Budget Squeeze," *Seattle Post-Intelligencer*, February 11, 2005.

² Center on Budget and Policy Priorities, "Where Would the Cuts be Made Under the President's Budget?" Revised February 28, 2005. Available at <http://www.cbpp.org/2-22-05bud-reportandtables.pdf>

³ Parents' Action for Children, "The Real Faces Behind the Hard Numbers," available online at <http://www.parentsaction.org/learn/features/behindnumbers/>

⁴ Dr. Deborah Frank, remarks during press conference about the impact of the President's budget on children, sponsored by Voices for America's Children, February 21, 2005, transcript available at http://www.voicesforamericaschildren.org/Content/NavigationMenu/About_VOICES/Federal_Budget/transcript2-21-05.pdf

⁵ Children's Sentinel Nutrition Assessment Project, *The Safety Net in Action – Protecting the Health and Nutrition of Young American Children*, July 2004, available at <http://dcc2.bumc.bu.edu/csnappublic/CSNAP2004.pdf>

⁶ Urban-Brookings Tax Policy Center, "Reduction in Rates for Long-Term Capital Gains and Qualifying Dividends: Distribution of Tax Change by Cash Income Class, All Tax Units, 2005," Table T05-0003, January 14, 2005, available at <http://taxpolicycenter.org/TaxModel/TMDB/TMTemplate.cfm?Docid=748>

⁷ Center on Budget and Policy Priorities, "Two Tax Cuts That Benefit Only High-Income Households – Primarily Millionaires – Slated to Start Taking Effect in 2006," revised February 24, 2005, available at <http://www.cbpp.org/2-4-05tax.htm>

⁸ Congressional Budget Office, *The Budget and Economic Outlook: An Update*, August 2003, available at <http://www.cbo.gov/ftpdocs/44xx/doc4493/08-26-Report.pdf>

⁹ Center on Budget and Policy Priorities, "Where Would the Cuts be Made Under the President's Budget?" Revised February 28, 2005. Available at <http://www.cbpp.org/2-22-05bud-reportandtables.pdf>

¹⁰ Congressional Budget Office, Letter to Senator Thad Cochran, Chair, Senate Appropriations Committee, March 4, 2005, from Douglas Holtz-Eakin, Director, CBO. Includes CBO's analysis of the President's FY 2006 budget submission. Available at <http://www.cbo.gov/showdoc.cfm?index=6137&sequence=0>

IV. PROGRAM DETAILS

There are two main ways that federal programs receive funding.

MANDATORY PROGRAMS

Programs called “entitlements” or “mandatory programs” are automatically funded and Congress does not need to approve the funding each year. The money will flow automatically to states or individuals - unless and until Congress approves legislation that changes the parameters of the program in some way. If Congress chooses to include **reconciliation instructions** in its budget resolution, these are instructions to specific committees to propose changes in the laws governing mandatory programs that will reduce expenditures. These recommended law changes are compiled in a **reconciliation bill**, for which there is limited debate and no filibuster.

APPROPRIATED PROGRAMS

Programs funded through the annual appropriations process are known as “discretionary.” Congress must appropriate funds for them every year. Each appropriated program is funded through one of the thirteen annual appropriations bills.

CHILD CARE AND EARLY EDUCATION

Child Care and Development Block Grant (Mandatory and appropriated funding)

The Child Care and Development Block Grant (CCDBG) provides child care assistance to families moving from welfare to work and low-income working families. The CCDBG consists of mandatory funds, which are authorized by Congress for multiple years, and discretionary funds, which must be appropriated yearly.

Currently serves: **2.3 million children**

FY 05 Appropriations: **\$2.083 billion (discretionary amount)**

FY 06 President's Budget Request: **\$2.083 billion**

FY 05 to 06 Change: **\$0**

Inflation Adjusted: **- \$41 million, or – 2%**

Impact of the President's proposal

Child Care and Development Block Grant (CCDBG) funds are effectively cut for a fourth year in a row, as the Administration continues a pattern of freezing funding for this critical service. The President proposes funding the discretionary portion of the program at less than \$2.1 billion; the mandatory portion of the block grant continues to be funded at \$2.7 billion. The Administration acknowledges that a freeze in funding is truly a cut. The Administration's own budget figures show that 300,000 fewer children will be able to receive child care help by 2009 as funding decreases and costs of providing care rise; this is in addition to the 200,000 children the Administration's budget indicates have already lost child care help between 2003 and 2004.

The need for child care help is far from being met. Only one in seven children eligible for child care help under federal law receives it. Since 2001, many states, facing serious budget deficits and with no additional federal funding, have made cuts to their child care programs. Many low-income families are no longer eligible for help or are being placed on long waiting lists, states have scaled back or eliminated efforts to improve the quality of care, and providers are being reimbursed at rates far below market prices. The 2006 budget offers no relief for families struggling to make ends meet.

For more information: National Women's Law Center; www.nwlc.org; 202-558-5180

Information provided by: Karen Schulman, National Women's Law Center

CHILD CARE AND EARLY EDUCATION

Head Start (Appropriated funding)

Head Start is the nation's premier early education program for children in poverty. The program provides education, health and mental health care, nutrition and social services and emphasizes parent involvement and family support.

Currently serves: **906,000 children**

FY 05 Appropriations: **\$6.843 billion**

FY 06 President's Budget Request: **\$6.888 (includes \$45 million for state pilot projects)**

FY 05 to 06 Change: **\$0 (calculation does not include \$45 million for state pilot projects)**

Inflation Adjusted: **- \$134 million, or - 2%**

Impact of the President's proposal

As a result of the Administration's funding freeze in FY 06, up to 25,000 preschoolers, infants, and toddlers could lose access to Head Start and Early Head Start. No new funds are provided to cover the cost of inflation, much less serve additional children or support quality improvements. The only additional funding in the Administration's budget is \$45 million for a nine-state pilot program to implement the Administration's controversial block grant proposal for Head Start.

Studies have shown Head Start children are less likely to be placed in special education or held back in school and more likely to graduate. Research also indicates Head Start helps disadvantaged children gain ground on their more advanced peers before they enter school. Head Start children make substantial progress in word knowledge, letter recognition, math skills, and writing skills during the kindergarten year. Yet the program currently reaches only about half of eligible preschoolers and less than 3 percent of eligible infants and toddlers in Early Head Start.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. Between 2006 and 2010, those discretionary caps could result in cuts totaling \$3.3 billion from "children and family services," a category that includes Head Start and services for abused and neglected children. As many as 118,000 children would lose Head Start in 2010.

For more information

National Women's Law Center; www.nwlc.org; 202-558-5180

Information provided by

Karen Schulman, National Women's Law Center

CHILD WELFARE

Child Abuse Prevention and Treatment Act (CAPTA) (Appropriated funding)

The Child Abuse Prevention and Treatment Act (CAPTA) provides funds to states to help them protect children from abuse and neglect. CAPTA imposes no income or other eligibility requirements for people receiving assistance, and the program is intended to keep children of any age safe from harm. There are three CAPTA programs: grants to states to help run and improve their Child Protection Services (CPS) systems (Title I), discretionary grants for development (also Title I), and funding for grants to states to support community-based programs offering services aimed at the prevention of child abuse and neglect (Title II).

Currently serves: **Approximately 900,000 children are substantiated each year as having been victims of abuse or neglect.**

FY 05 Appropriations: **\$101.695 million for all three programs**

FY 06 President's Budget Request: **\$102 million for all three programs**

FY 05 to 06 Change: **\$300,000, or 0.3%**

Inflation Adjusted: **- \$1.69 million, or -1.7%**

Impact of the President's proposal

When it was adopted in the 1970s, CAPTA represented an important federal policy statement regarding state child protection policy. In the past Congress has used the reauthorization of CAPTA to require new mandates and policies for state child protection laws. Although last year's budget increased total funding for the three programs by \$12 million, the funding level has not kept pace with either the need or mandates. The law authorizes the three CAPTA programs to be funded at a total amount of \$200 million per year, but Congress has never provided full funding. The Administration's request is slightly more than half the authorized level.

The Administration proposes a freeze in the basic state grant under Title I of CAPTA, maintaining funding at \$27 million. Also maintained at last year's funding level is the Community Resource Centers – the grants to states for community-based programs - at \$43 million. These Centers are focused on local prevention efforts. Finally the discretionary grants receive a \$1 million increase to \$32 million. These grants are not provided by formula but by award on a national and state basis.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. Between 2006 and 2010, those discretionary caps could result in cuts totaling \$3.3 billion from "children and family services," a category that includes Head Start and services for abused and neglected children.

Of the approximate 900,000 cases of substantiated neglect and abuse in a year, approximately 40 percent of these children and families do not receive services.

For More Information

Child Welfare League of America, www.cwla.org, (202) 638-2952

Information Provided By

John Sciamanna, Child Welfare League of America, jsciamanna@cwla.org.

CHILD WELFARE

Promoting Safe and Stable Families (PSSF) (Mandatory and appropriated funding)

The Promoting Safe and Stable Families (Title IV-B 2, Social Security Act) program helps prevent and remedy the difficulties that bring families to the attention of the child welfare system. Funds are used for family preservation, family support, adoption services, and family reunification. States must spend at least 20 percent in each of these four categories of services.

Currently serves: **In 2002 approximately 529,000 children received preventive services through PSSF.**

FY 05 Appropriations: **\$98 million (discretionary amount)**

FY 06 President's Budget Request: **\$105 million (discretionary amount)**

FY 05 to 06 Change: **\$7 million, or 7.1%**

Inflation Adjusted: **\$4.9 million, or 5%**

Impact of the President's proposal

The number of children receiving preventive services under Promoting Safe and Stable Families was a greater number than those served under CAPTA state grants, Community-Based Resource Centers or the Social Services Block Grant (SSBG). An annual HHS report (*Child Maltreatment 2002*) indicated a continuing unmet need: over 40 percent of children substantiated, as victims of abuse or neglect did not receive services.

From its creation in 1993 through 2001 all funding was mandatory and did not require an annual appropriation. In the 2001 reauthorization the funding was split with \$305 million in funding mandatory and an additional \$200 authorized to be appropriated. Since that point PSSF has never been fully funded at the level of \$505 million, with funding peaking in FY 03 at \$405 million. Since that year it has been reduced by across-the-board cuts.

For the first time the President's budget does not propose full funding of PSSF at \$505 million. Coming into office in 2001 one of the President's premier commitments in the child welfare area was to increase PSSF by \$200 million a year. It was this funding that the Administration has always referred to as their commitment to provide \$1 billion more in prevention funding over five years through PSSF. This budget proposal is the first acknowledgement that they will not keep this promise. If this budget is adopted, out of the five year commitment to provide \$1 billion the Administration will have provided \$472 million.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. Between 2006 and 2010, those discretionary caps could result in cuts totaling \$3.3 billion from "children and family services," a category that includes Head Start and services for abused and neglected children.

For More Information

Child Welfare League of America, www.cwla.org, (202) 638-2952

Information Provided By

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CHILD WELFARE

Child Welfare Services (Appropriated funding)

The Child Welfare Services Program is designed to address problems that result in neglect, abuse, exploitation or delinquency of children. The program (subpart 1 of the Title IV -B of the Social Security Act) provides federal matching grants to states. Those funds can be used to prevent the unnecessary separation of children from their families and restore children to their families when possible; place children in adoptive families where appropriate; and to assure adequate foster care when children cannot return home or be placed for adoption.

Currently serves: **Reliable data are not available on the number of families and children served by this funding as it is generally combined with other funding sources.**

FY 05 Appropriations: **\$290 million**

FY 06 President's Budget Request: **\$290 million**

FY 05 to 06 Change: **\$0**

Inflation Adjusted: **- \$5.7 million, or - 2%**

Impact of the President's proposal

Recent findings by the Government Accountability Office (GAO) found that over 40 percent of Child Welfare Services funds were used for protective service efforts such as investigation, emergency shelters, hotlines, and referrals for services and recruitment of foster parents. Seventeen percent of funds were targeted to children considered at-risk and 42 percent was targeted to children in foster care and their parents.

The Administration proposes changing the Foster Care program (discussed below) into a block grant, with the goal of encouraging states to focus on investing in prevention and supportive services. At the same time, the Administration has proposed freezing and cutting the very child welfare programs that give states the flexibility to spend on prevention and supportive services: Promoting Safe and Stable Families, CAPTA and Child Welfare Services.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. Between 2006 and 2010, those discretionary caps could result in cuts totaling \$3.3 billion from "children and family services," a category that includes Head Start and services for abused and neglected children.

For More Information

Child Welfare League of America, www.cwla.org, (202) 638-2952

Information Provided By

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CHILD WELFARE

Foster Care (Mandatory funding)

The Foster Care program pays for three types of activities: monthly payments to foster care families for caring for foster care children; administrative payments for expenses associated with children in foster care; and training of professional staff in foster care.

Currently serves: **230,000 children per month**

FY 05 expenditures: **about \$4.627 billion**

FY 06 President's Budget Estimate for Expenditures: **Anticipates a continuing slow-down in the maintenance payments but continued increases in the administrative/services funding level at \$4.685 billion.**

Impact of the President's proposal

The Foster Care program faces a dilemma. The eligibility requirements for a federal subsidy is currently frozen in place and has not kept up with changes in other federal policy. Only children removed from families who would have been eligible for the old Aid to Families with Dependent Children (AFDC or welfare) program as it existed on July 16, 1996 are eligible for a *federal* subsidy today. The rest of the children in foster care must be covered by other federal or state funds.

The funding in the President's budget is projected to serve approximately 230,000 children per month—a decrease of approximately 3,000 from last year. The 230,000 covered by this federal subsidy continues to serve less than half the children's population in foster care as the link to the 1996 AFDC eligibility standard continues to erode or reduce the number of children eligible for this coverage.

The Administration proposes to address this eligibility problem by allowing states to convert the entitlement funding into a block grant. Under the proposal, each state would have an option to receive a fixed, predetermined allocation, or block grant, of Title IV-E foster care maintenance payments, administrative costs, and training funds - rather than the current open-ended entitlement funding provided based on the number of eligible children. The block grant would end the automatic increases in federal funding that occur when the need for foster care increases and could lead to cuts in the long-run as inflation erodes the value of the block grant. It would also threaten the enforceability of federal requirements that ensure funds are administered in ways beneficial to children.

The block grant proposal was included in the President's FY 04 and 05 budgets but has yet to be introduced as legislation. The budget for FY 06 offers the same overview of the proposal as in past years. Many details of the proposal are still unknown but states would be locked into funding and are allowed to take more funding in the early years and a reduced total in the later years.

For More Information

Child Welfare League of America, www.cwla.org, (202) 638-2952

Information Provided By

John Sciamanna, Child Welfare League of America, jsciamanna@cwla.org

CHILD WELFARE

Adoption Assistance (Mandatory funding)

The Adoption Assistance program pays for three types of activities: subsidies to families who adopt special needs children; administrative payments for expenses associated with special needs adoptions; and training of professional staff in adoption services.

Currently serves: **Approximately 369,500 children per month**

FY 05 expenditures: **about \$1.703 billion**

FY 06 President's Budget Estimate for Expenditures: **Anticipates an increase of \$92 million to \$1.795 as the number of families receiving an adoption subsidy increases along with the number of special needs adoptions.**

Impact of the President's proposal

Currently, not all children who are considered special needs receive an adoption assistance subsidy. In each case, the state and the parents forge an agreement around the need, the amount and type of support. Like the Foster Care program (see above), eligibility for the subsidy is also tied to the AFDC eligibility standard. However, eligibility for adoption assistance is based solely on the child's eligibility – not that of the adoptive parents. The parents' income can be taken into account to determine the level of help.

More than 369,500 families receive some amount of adoption subsidy as the number of adoptions has increased over the past five years. It is not yet clear how the Administration's proposed Foster Care flexible funding block grant would impact on the subsidy since eligibility is tied to eligibility for IV-E funding.

For More Information

Child Welfare League of America, www.cwla.org, (202) 638-2952

Information Provided By

John Sciamanna, Child Welfare League of America, jsciamanna@cwla.org

CHILD WELFARE

Chafee Foster Care Independence Program (Mandatory funding)

Created in 1986, this program assists children age 16 and older as they leave the foster care system with services that include training, housing services, and employment services.

FY 05 expenditures: **\$140 million**

FY 06 President's Budget Estimate for Expenditures: **\$140 million**

Impact of the President's proposal

Approximately 20,000 youth leave foster care each year at their 18th birthday. Many young people in the foster care system struggle as they transition into adulthood without being adopted or without a permanent family. These young people desperately need services and other assistance to help them become fully independent. Children in foster care are twice as likely as the rest of the population to drop out of high school. Of the youth recently aging out of foster care, about *half* are unemployed and 12 percent report living on the street or in a shelter at least one night after leaving foster care. A recent study of 17 year olds in foster care in Illinois, Iowa, and Wisconsin found that they were reading at the seventh grade level. More than half had been arrested.

The original annual entitlement for the Chafee Foster Care Independence Program (named for the late Senator John H. Chafee) was \$45 million; Congress increased it gradually to \$140 million. However, the program has been funded at the same \$140 million level for the past five years. The Administration's budget keeps funding level, despite increasing need and the erosion of the value due to inflation.

In 2001, Congress amended the Chafee Foster Care Independence Program and included an authorization for an education and training vouchers program, which is funded separately through the appropriations process. See Education and Training Vouchers, below, for more information.

Information Provided By

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For More Information

Child Welfare League of America, www.cwla.org, (202) 638-2952

COMMUNITY SERVICES, DEVELOPMENT AND SOCIAL SERVICES

Community Development Block Grant (CDBG) (Appropriated funding)

The Community Development Block Grant provides funds to cities, counties and states to invest in community and economic development activities in low- and moderate-income neighborhoods. The funds can be used for a wide spectrum of activities including affordable housing; public infrastructure such as roads, water and sewer facilities, and lighting; policing, fire stations, libraries, and community centers; employment training, child care, transportation services and services for seniors, youth, and people with disabilities; and business development and job creation.

Currently serves: **More than 23 million persons in 2004**

FY 05 Appropriation: **\$4.6 billion**

FY 06 President's Budget Request: **\$0**

FY 05 to 06 Change: **- \$4.6 billion, or - 100%**

Impact of the President's proposal

The Administration proposes consolidating 18 federal grant programs, including the Community Development Block Grant (CDBG), into a much smaller block grant program within the Department of Commerce. The new initiative would eliminate many current development programs and consolidate community development assistance into one block grant. This new initiative would be funded at \$3.7 billion, \$2 billion less than the current \$5.7 billion.

The proposal would eliminate the CDBG, cutting funding for thousands of programs and eliminating services for millions of low-income families. In 2004, more than 95 percent of the CDBG funds were spent by state and local communities on activities benefiting low- and moderate-income persons.

In 2004, CDBG assisted nearly 160,000 households with their housing needs. More than 9 million persons, of whom an estimated 74 percent were low- and moderate-income, were served by new or reconstructed public facilities and infrastructure, including new or improved roads, fire stations, libraries, water and sewer systems, and centers for youth, seniors, and persons with disabilities.

More than 13 million persons received assistance through a wide range of public services, including employment training, assistance for victims of domestic violence, transportation services, crime awareness, legal services, and services for people with disabilities, youth, and seniors (such as meals on wheels and adult day care). More than 1.5 million youth were served by after-school enrichment programs and other activities designed to keep children safe. Child care services were provided to 100,065 children in 205 communities across the country.

More than 78,000 jobs were created or retained in hundreds of communities throughout the nation. For every one dollar of CDBG funding approximately \$2.79 in private funding was leveraged in FY 04. The goal of community development programs is to improve, enrich and enhance the cities, towns, and neighborhoods throughout the country. By eliminating or reducing funding, the President's budget will actually weaken our communities by taking away opportunities for development and revitalization, and result in the loss of services to millions of low- and moderate-income individuals and families.

For more information

National Community Development Association, www.ncdaonline.org

COMMUNITY SERVICES, DEVELOPMENT AND SOCIAL SERVICES

Community Services Block Grant (CSBG) (Appropriated funding)

The Community Services Block Grant (CSBG) provides the core funding for a network of 1,100 Community Action Agencies (CAAs) that fight poverty and promote self-sufficiency for low-income individuals, families, and communities.

Currently serves: **More than 13 million individuals each year**

FY 05 Appropriation: **\$636.6 million**

FY 06 President's Budget Request: **\$0**

FY 05 to 06 Change: **- \$636.6 million or - 100%**

Impact of the President's proposal

The Community Services Block Grant (CSBG) is administered by states, which distribute at least 90 percent of the funding to local Community Action Agencies. The flexibility of the funding allows agencies to provide a broad range of services, such as affordable housing, health care, job development, education, elderly services, energy assistance, and homeless prevention and services—integrated into a comprehensive approach tailored specifically to meet the needs of low-income Americans and their local communities. CAAs act as catalysts for change by bringing local government representatives, area citizens, and community (business, civic, religious) groups together as volunteer boards to guide the work that the agencies do.

The President's 2006 budget proposes to consolidate the Community Services Block Grant (along with 17 other federal programs) into the "Strengthening America's Communities Initiative," a new block grant to be administered by the Department of Commerce. This initiative is proposed to be funded at \$3.7 billion; however, the 18 programs proposed for consolidation are now funded at \$5.7 billion.

CSBG is much more than an economic and community development program, and its funds currently serve low-income individuals, families, and communities in 96 percent of the localities in America. Its consolidation into a program more narrowly focused in terms of purpose and geographic area served is equivalent to the elimination of CSBG as we know it. CSBG makes up less than 6 percent of the total resources spent by the CSBG network, yet it is the most critical component of Community Action funding, flexible enough to provide seed money for developing new initiatives, to supplement underfunded programs, and to administer programs that fund only direct services. CSBG enables CAAs to offer comprehensive community-based solutions to the problems of poverty. And CSBG leverages the additional resources with which CAAs operate programs and provide services.

In 2002, CSBG funding to states and localities was \$579 million of a total \$9.8 billion in resources. Every \$1 of CSBG was matched by \$15.52, \$5 of which came from state, local, and private donations. At a minimum, the elimination of CSBG will devastate many small CAAs in predominantly rural areas, where CSBG comprises a larger percentage of agency funding and alternative resources and service providers are limited. Elimination of CSBG that jeopardizes the viability of the entire Community Action network could result in the loss of services to 13 million low-income individuals in 6 million families.

For more information

Community Action Partnership: www.communityactionpartnership.com

National Community Action Foundation: www.ncaf.org

National Association for State Community Services Programs: www.nascsp.org

Information provided by

Judy Mason, Community Action Partnership; jmason@communityactionpartnership.com

COMMUNITY SERVICES, DEVELOPMENT AND SOCIAL SERVICES

Social Services Block Grant (SSBG) (Mandatory funding)

The Social Services Block Grant (SSBG) is a broadly flexible source of funding that states can use to promote self-sufficiency, reduce dependency, prevent and remedy abuse and neglect, prevent unnecessary institutional care and secure admission to or services for institutional care. The SSBG is a capped entitlement program under Title XX of the Social Security Act. Funding is allocated according to a formula based on relative population size. States can use the funds to provide 29 allowable services.

Currently serves: **12.8 million individuals in 2001**

FY 05 Appropriation: **\$1.7 billion**

FY 06 President's Budget Request: **\$1.7 billion**

FY 05 to 06 Change: **\$0**

Inflation Adjusted: - **\$33 million, or - 2%**

Impact of the President's proposal

Between 1982 and 1991, SSBG was funded at an average level of \$2.67 billion. The next five years saw funding lifted to \$2.8 billion per year. But in 1996 during the welfare reform debate, Congress made an agreement with the states to temporarily reduce SSBG from \$2.8 billion to \$2.38 billion for a limited period of time, with a promise to restore funding to \$2.8 billion in FY 01. The agreement also allowed states to transfer up to 10 percent of their welfare block grant to SSBG to use on services for low-income children or their families at 200% of poverty or below. Congress broke this agreement to restore funding and SSBG has been cut by more than \$1.1 billion over the last seven years.

The President's proposes continuing funding for SSBG at \$1.7 billion and allows states to transfer up to ten percent of their TANF funds into SSBG. But inflation will continue to erode the value of the block grant.

The flexibility of the grant allowed an estimated 14.2 million children and families to benefit in some manner from SSBG provided services in FY 02. Cumulatively states have been forced to absorb over \$6.3 billion in cuts since 1995. The continual shrinking of the grant places additional strains on state budgets and services for the needy.

States spent \$486 million on services for disabled children and adults, such as adult foster care, residential treatment, transportation and special services in 2002. More than \$206 million SSBG funds were used to provide congregate meals for the elderly, adult day care, home-delivered meals and adult protective services to support more than 670,000 elderly persons in the community. SSBG helped provide child protective services to more than 1.5 million children, adoption services to more than 212,000 children and families and prevention and intervention services to more than 842,000 families in 2002. States used more than \$330 million of SSBG funds for the protection of abused and neglected children, compared to only \$22 million available through state grants in the Child Abuse and Prevention Treatment Act for the same purpose. Similarly, states used over \$153 million in SSBG for protective services to the elderly compared to only \$7 million available under the Older Americans Act.

For more information

SSBG Coalition c/o

John Sciamanna, Child Welfare League of American; www.cwla.org (202) 639-4919

Kathryn Dyjak, American Public Human Services Association; www.aphsa.org (202) 682-0100

EDUCATION AND YOUTH DEVELOPMENT

No Child Left Behind - Title I of the Elementary and Secondary Education Act (Appropriated funding)

The "No Child Left Behind" Act (NCLB) is the primary federal law addressing programs in local elementary and secondary schools. The goal of NCLB is to improve student educational achievement, close the achievement gap and improve teacher quality in elementary and secondary education. The largest program in NCLB, Title I – Education for the Disadvantaged, sets forth accountability and other programmatic requirements designed to close achievement gaps, raise overall student achievement, and help all students excel.

Currently serves: **12.5 million students in high-poverty schools**

FY 05 Appropriation: **\$12.740 billion for Title I**
(FY 06 Authorization level: **\$22.75 billion for Title I**)

FY 06 President's Budget Request: **\$13.342 billion for Title I**

FY 05 to 06 Change: **\$602 million, or 4.7%**

Inflation Adjusted: **\$340 million, or 2.7%**

Shortfall between Authorized level and Presidents' Request: **-\$9.4 billion**

Impact of the President's proposal

The Administration's budget would increase overall funding for No Child Left Behind to \$24.8 billion, an increase of more than \$315 million but \$12.0 billion short of the amount pledged when Congress authorized the program. The proposed funding is not sufficient to meet the increasing demands of many new No Child Left Behind testing and accountability requirements, record enrollments and the goals of improving educational achievement for all students.

The Administration proposes an increase of \$603 million for Title I funding for low-income schools, bringing total funding to \$13.3 billion. This is \$9.4 billion short of the level authorized in the No Child Left Behind Act. Compared to the amount needed to fully serve all low-income children, some 2.9 million children will be left behind.

The proposed increases in funding to Title I in the budget are partially offset by proposals to cut or eliminate other education programs that provide vital services to students. Among the programs in line for elimination are the Even Start family literacy program, Dropout Prevention, Gifted and Talented, School Counselors for k -12 schools, Safe and Drug-Free Schools and others--adding up to a total of 48 programs and \$4.3 billion dollars eliminated from the federal education budget. The budget proposal for the after-school program is unchanged (cut by 2 percent adjusted for inflation) and \$1.3 billion less than was promised under NCLB. As a result, 1.7 million fewer children than promised under NCLB are receiving after school supervision and academic help – meaning they are left unsupervised during the hours when children are most likely to commit a crime or be the victim of a crime.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. Between 2006 and 2010, those discretionary caps could result in cuts totaling \$11.5 billion from Title I, Impact Aid, school improvement and special education programs. The cut to education for the disadvantaged (Title I) alone would equal \$807 million.

For More Information

The National Education Association www.nea.gov

The NEA's Budget analysis: <http://www.nea.org/lac/fy06edfunding/index.html>

EDUCATION AND YOUTH DEVELOPMENT

Education and Training Vouchers for Foster Care Youth (Appropriated funding)

The Education and Training Vouchers program provides vouchers that can be used to pursue higher education or training for young people who are aging out of the Foster Care program. The vouchers program is part of the Chafee Foster Care Independence Program (see description, above).

Currently serves: **Approximately 9,000 young people (out of 20,000 leaving Foster Care)**

FY 05 Appropriations: **\$47 million**

FY 06 President's Budget Request: **\$60 million**

FY 05 to 06 Change: **\$13 million, or 27.7%**

Inflation Adjusted: **\$11.8 million, or 25.2%**

Impact of the President's proposal

In 1986 the Independent Living Program was created to assist youth that are emancipated or "age-out" of the foster care system. Many of these young people will find themselves forced into an adult world without the kind of parental and other supports other young people have who come from a family setting.

Education and training vouchers for foster care youth has an authorized level of \$60 million. However, Congress has never provided full funding. For the third year in a row, the Administration's budget recommends fully funding the program, but in past years the President has done little, if anything to encourage Congress to meet his request.

Approximately 19,000 youth leave the foster care system each year without being adopted or having a permanent home. Past research has indicated that a significant part of this population end up in homeless shelters, without a high school diploma, unemployed and lack basic needs such as health care. A study released in 1998 indicated that 37 percent of youth emancipated from foster care still did not have a high school diploma 12 to 18 months after leaving the system.

For More Information

Child Welfare League of America, www.cwla.org, (202) 638-2952

Information Provided By

John Sciamanna, Child Welfare League of America, jsciamanna@cwla.org

EDUCATION AND YOUTH DEVELOPMENT

Pell Grants (Size of maximum grant set through appropriated funding)

Pell grants are the largest source of grant aid for postsecondary education. For more than 35 years, Pell grants have given tens of millions of Americans the opportunity to pursue their higher education goals – whether retraining for a job, or receiving a 4-year degree. Pell grants are distributed based on need and more than half of all grants go to students living below the poverty line.

Currently serves: **More than 5 million students**

FY 05 number of Pell grant recipients: **5,336,000 students**

FY 06 President's estimated number of Pell Grant recipients : **5,468,000 students**

FY 05 to 06 Change: **increase of 132,000 students**

Impact of the President's Request

The Pell Grant program works like an entitlement program. Undergraduate students who meet the eligibility criteria based on need qualify and receive a grant, regardless of the amount of money appropriated for the program. The maximum grant is set by Congress in the annual appropriations bill. The current Pell Grant maximum is \$4,050. Funding for the Pell Grant program is \$12.4 billion for FY 05.

The program is running a shortfall of \$4.3 billion because of the rapid and unprecedented growth in college enrollment. A shortfall occurs when more students apply and qualify for aid than estimated, and there are not enough funds appropriated for the program. However, because the program works like an entitlement, no student is turned away because of a shortfall in funds.

The President proposes (1) increasing the Pell Grant maximum award by \$100 each year for the next five years, (to \$4,550); and (2) paying off the shortfall. To pay for both proposals, the president would take savings from student loans on the mandatory side of the budget, and cuts to other student aid programs on the discretionary side of the budget.

While increasing the Pell Grant maximum is very important, the president's whole student aid proposal represents a net loss of aid to students. The President's budget proposes the elimination of the Perkins Loan program and the elimination of other programs, including two of the TRIO programs and GEAR UP (college readiness programs). A \$100 increase in a student's grant will not make up the difference of the average \$1,825 Perkins Loan. And eliminating Upward Bound, Talent Search and GEAR UP takes away the opportunity to succeed for the very at-risk students who would qualify for the \$100 increase in Pell grants.

States faced with severe budget shortfalls have cut funding for public universities and community colleges, which in turn have raised tuition. For low-income students, paying for college is increasingly difficult, even while higher education is becoming an even more critical component to career success. Access to postsecondary education opportunities allows individuals to succeed in jobs with career potential and upward mobility. Census data consistently show that those with higher educational attainment have higher median earnings. Expanding postsecondary education opportunities also helps ensure the well-educated workforce our nation needs to compete in the 21st century.

For more information

Student Aid Alliance: <http://www.studentaidalliance.org/>

Committee for Education Funding: <http://www.cef.org/>

EDUCATION AND YOUTH DEVELOPMENT

Individuals With Disabilities Education Act (Appropriated funding)

The Individuals with Disability Act extends the promise of free, quality education to children with disabilities. IDEA has three state grant programs: Part C supports services to infants and toddlers with disabilities and their families; Section 619 supports services to preschool age children, and Part B guarantees a free, appropriate public education to school-aged children with disabilities. Part B also authorizes the federal government to reimburse local school districts up to 40 percent of the cost of providing education to children with disabilities.

Currently serves: **More than 7 million children**

FY 05 Appropriations for **Part B Grants to Schools \$10.589 billion**

FY 06 President's Budget Request: **\$11.097 billion**

FY 05 to 06 Change: **\$508 million, or 4.8%**

Inflation Adjusted: **\$290 million, or 2.7%**

FY 05 Appropriations for **Part C Grants to Infants and Families: \$440.8 million**

FY 06 President's Budget Request: **\$440.8 million**

FY 05 to 06 Change: **- \$0**

Inflation Adjusted: **- \$8.64 million, or - 2%**

FY 05 Appropriation for **619 Grants to Preschoolers: \$ 384.5 million**

FY 06 President's Budget Request: **\$384.5 million**

FY 05 to 06 Change: **- \$0**

Inflation Adjusted: **- \$7.54 million, or - 2%**

Impact of the President's proposal

Currently IDEA serves more than 7 million children with disabilities. Despite the ubiquitous research in support of delivering appropriate services to children with disabilities at the earliest ages, the federal government continues to underfund IDEA's essential programs for children ages birth to five years. In addition, while strides have been made to increase funding for Part B of IDEA, funding levels have never reached the promised 40 percent of the costs of providing services to students. As a result, children are going without many of the services and technologies they need to be academically successful. Failure to fully fund all of IDEA's state grant programs undermines the very purpose of the law – to ensure that students with disabilities, like all students, receive early intervention, preschool and special education services necessary for them to learn and live independent lives.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. Between 2006 and 2010, those discretionary caps could result in cuts totaling \$7.6 billion from special education programs.

For more information

Easter Seals: www.easterseals.com

Information provided by

Katy Beh Neas, Easter Seals, 202-347-3066

EDUCATION AND YOUTH DEVELOPMENT

Carl D. Perkins Grants

The purpose of Perkins is to provide individuals with the academic and technical skills needed to succeed in a knowledge- and skills-based economy. Perkins supports career and technical education in both secondary and post-secondary settings.

Currently serves: **97% of high school students take at least one career and technical education course**

FY 05 Appropriations for Perkins Grants: **\$1,326,106,592**

FY 06 President's Budget Request: **\$0**

FY 05 to 06 Change: **- \$1,326,106,592 or - 100%**

Impact of the President's proposal

Bush budget proposes to dismantle career and technical education. The Administration proposes to eliminate funding for the Carl D. Perkins Vocational and Technical Education Act (which funds career and technical -- or vocational -- education), along with several other education programs, to fund the President's new High School Intervention Initiative. This would effectively create a block grant for high schools to expand the goals and requirements of No Child Left Behind. This proposal would severely harm career and technical education programs that are working in schools across the country, and cost states millions of dollars. While policymakers and education advocates have long called for increased focus on high schools, high school reform cannot be achieved by eliminating programs such as Perkins that are already helping students succeed.

These cuts mean real dollars lost for Career and Technical Education (CTE) programs in schools and postsecondary programs in communities across the country. Cuts to Perkins could mean loss of funds for equipment, professional development, career guidance and counseling, integration of academic and technical skills, career and technical student organizations, and program improvement. States cannot make up the difference. In an era of tight state budgets, there is little evidence that states or schools would be able to find additional funds to cover the loss of Perkins funds, should these cuts become reality. An elimination of federal funding would also mean reductions in state matching funds, further exacerbating the problem at the state level and leading to the potential loss of programs.

Career and Technical Education provides effective and proven links to skills-building opportunities and improved employment outcomes. Students completing a rigorous academic core coupled with a career concentration have test scores that are equal to or higher than those of students considered to be "college prep"; are more likely to pursue postsecondary education; have a higher grade point average in college; are less likely to drop out in the first year; and have better employment and earnings outcomes than other students, according to the Southern Regional Education Board.

CTE doesn't only serve the high school community; Perkins funds also support education and job training programs at community colleges and other postsecondary settings. Community and technical colleges are on the front lines of preparing youth and adults with the skills needed to succeed in the workforce. Employers across the nation continue to need well-trained workers with good skills. Nearly 75 percent of employers report severe conditions when trying to hire qualified workers, 40 percent say that applicants are poorly skilled, and 30 percent say that applicants have the wrong skills for available jobs, according to a 2002 survey by the U.S. Chamber of Commerce's Center for Workforce Preparation. The education and training supported by Perkins are vital to addressing this skills gap, and cuts to the Perkins program would impact local business and industry connections that help schools meet employer needs for a skilled workforce.

For more information: Assoc. for Career and Tech. Education; www.acteonline.org; 703-683-3111.
Information provided by: Christin M. Driscoll, Association for Career and Technical Education

EDUCATION AND YOUTH DEVELOPMENT

Juvenile Justice and Delinquency Prevention (Appropriated funding)

Juvenile Justice and Delinquency Prevention programs support a variety of activities that prevent and reduce juvenile crime. For example, the Title V Local Delinquency Prevention program funds a wide range of collaborative, comprehensive, community-based delinquency prevention programs including early childhood development, nurse home-visiting, after-school activities, mentoring, and tutoring, as well as drop-out, gang, and substance abuse prevention. The Juvenile Accountability Block Grant (JABG) supports local juvenile justice approaches ranging from secure juvenile corrections facilities for some violent offenders, to effective community-based residential treatment programs for offenders who do not need to be locked up, to substance abuse and mental health services for non-violent offenders remaining at home, to school safety programs.

FY 05 Appropriations: **\$347 million**

FY 06 President's Budget Request: **\$187 million**

FY 05 to 06 Change: - **\$160 million, or - 46%**

Inflation Adjusted: - **\$163.7 million, or - 47.2%**

Impact of the President's proposal

The proposed budget would reduce juvenile justice and delinquency prevention programs by about half in real (inflation-adjusted) dollars. The proposed funding level would reflect a 72 percent cut in real dollars from FY 02. These proposed cuts come at a time when crime is again starting to increase and gangs are on the clear upswing. Each year, 1.4 million kids are charged with an offense for which an adult could be tried in a criminal court. Approximately 250,000 of these kids are repeat offenders. In addition, gang homicides across the country have increased an alarming 50 percent since 1999. Juvenile justice and delinquency prevention programs aim to prevent kids from engaging in violence and to reduce gang and youth violence.

The 52 percent overall proposed cut in juvenile justice and delinquency prevention programs includes major cuts in the Title V Local Delinquency Prevention programs and the Juvenile Accountability Block Grant. The proposed budget would cut funding for Title V Local Delinquency Prevention grants by 60 percent, from \$79 million to \$32 million. Prevention activities, such as those supported by Title V, remain so woefully under-funded that they can reach only a fraction of the kids who would benefit from them. For example, because of lack of funding for after-school programs, at least 14 million children and teens are unsupervised during the peak hours of juvenile crime from 3:00-6:00PM. Unsupervised kids are much more likely to drink, smoke, use drugs, commit a crime, and become a victim of a crime during this time. Research demonstrates that boys left out of the Quantum Opportunities four-year after-school program averaged six times more criminal convictions than those who participated.

The proposed budget eliminates all funding for the Juvenile Accountability Block Grant (JABG). JABG funds gang and youth violence reduction programs such as the Multi-Systemic Therapy program, which reduces rates of re-arrest by 25-70 percent through a comprehensive approach that addresses family, peer, school, and neighborhood factors. It is estimated that Multi-Systemic Therapy serves less than 10 percent of the serious offenders who could benefit from it. A cost-benefit analysis of Multi-Systemic Therapy demonstrates that this program produces a net savings to taxpayers of \$32,000 per juvenile treated. When the crime savings to victims are considered, over \$130,000 is saved for each juvenile treated. Juvenile justice and delinquency prevention programs are proven to save lives and save money.

The drastic cuts to these programs will not only deny troubled kids the support they need to get back on the right track, but will also jeopardize the safety of our schools and communities.

For more information: www.fightcrime.org 202-776-0027

Information provided by: Miriam Rollin, FIGHT CRIME: INVEST IN KIDS

FOOD AND NUTRITION

Special Supplemental Food Program for Women, Infants, and Children (WIC) (Appropriated funding)

The Special Supplemental Food Program for Women, Infants, and Children (WIC) program gives low-income pregnant women, new mothers, and infants and children access to nutritious foods, nutrition education and access to health care.

Currently serves: **Year to Date Monthly Average of 8 million women, infants and children (FY 04 Monthly Average: 7.9 million)**

FY 05 Budget Authority: **\$5.234 Billion**

FY 06 President's Budget Request: **\$5.510 Billion**

FY 05 to 06 Change: \$275 million, or 5.3%

Inflation Adjusted: **\$168 million, or 3.2%**

Impact of the President's Proposal

The President's budget proposal to fund the WIC program in FY 06 at \$5.51 billion, a \$275 million increase, is projected to serve an average monthly caseload of 8.5 million WIC participants. The increase includes up to \$125 million to replenish the WIC contingency fund if needed.

Last year, WIC served an average monthly caseload of 7.9 million women, infants and children. Increasing need pushed the WIC caseload up 3.6 percent (an additional 273,000 participants) last year. This year the rising need for WIC continues, with the program already growing to serve an average of 8 million WIC participants.

The Administration proposes continued funding of the WIC breast-feeding support initiative (\$15 million) and WIC infrastructure (\$14 million), and allocates \$3 million "for studies and evaluation of program cost containment strategies." The budget does not include \$5 million in obesity prevention project funds, \$20 million for Management Information Systems and \$7 million to study WIC's effectiveness that were included in last year's budget.

The Administration proposes lowering the spending limit for WIC's nutrition services and administrative funding. This will have a negative impact on the quality of WIC nutrition education and on participation access by forcing reductions in WIC clinic hours, and possibly clinic closings, in rural and other hard to serve areas.

Currently all Medicaid recipients are automatically eligible to receive WIC. The budget proposes restricting eligibility by allowing only Medicaid recipients with incomes below 250 percent of poverty to be automatically eligible. This means some moderate-income individuals in Minnesota, Missouri, New Hampshire, Vermont, and possibly Rhode Island will lose access to WIC.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. By 2010, those discretionary caps could force 660,000 recipients to lose WIC in 2010. Between 2006 and 2010, the WIC cuts could total \$657 million.

For more information: Food Research and Action Center, www.frac.org, 202-986-2200

Information provided by: Geraldine Henchy, Food Research and Action Center

FOOD AND NUTRITION

Commodity Supplemental Food Program (CSFP) (Appropriated funding)

The Commodity Supplemental Food Program (CSFP), which is offered in 32 states, the District of Columbia, and two Indian reservations, provides supplemental foods to low-income elderly, and to a small number of low-income women, infants and children. The vast majority of recipients are elderly. Each food package contains supplemental foods that are high in the nutrients lacking in participants' diets.

Currently serves: **520,903** low-income elderly, women, infants and children

FY 05 Appropriation: **\$110 million**

FY 06 President's Budget Request: **\$107 million**

FY 05 to 06 Change: **- \$3 million, or - 2.7%**

Inflation Adjusted: **- \$5 million, or - 4.6%**

Impact of the President's proposal

The budget would result in 45,000 fewer low-income people receiving supplemental nutritious foods through the CSFP.

Farmers' Market Nutrition Program (FMNP) (Appropriated funding)

FMNP provides vouchers of up to \$30 per year to WIC participants for the purchase of fruits and vegetables at farmers' markets. This allows low-income women and young children at nutritional risk to increase their fruit and vegetable consumption.

Currently serves: **2,372,256** WIC recipients

FY 05 Appropriation: **\$20 million**

FY 06 President's Budget Request: \$20 million

FY 05 to 06 Change: **\$0, or 0%**

Inflation Adjusted: **- \$390,000, or - 2%**

Impact of the President's proposal

The President's budget flat funds the FMNP for FY 06, resulting in a 2 percent decrease adjusted for inflation.

For more information

Food Research and Action Center, www.frac.org, 202-986-2200

Information provided by

Ellen Teller, Food Research and Action Center

FOOD AND NUTRITION

Seniors Farmers' Market Nutrition Program (Appropriated funding)

The Seniors Farmers' Market Nutrition Program provides vouchers (worth an average of \$42 per year nationwide) to low-income elderly persons for the purchase of fruits and vegetables at farmers' markets.

Currently serves: **800,374 elderly people**

FY 05 Appropriation: **\$15 million**

FY 06 President's Budget Request: **\$15 million**

FY 05 to 06 Change: **\$0**

Inflation Adjusted: **-\$290,000, or -2%**

Impact of the President's proposal

The President's budget flat funds the Senior Farmers' Market Program for FY 06, resulting in a 2 percent decrease adjusted for inflation.

The Emergency Food Assistance Program (TEFAP) (Appropriated funding)

TEFAP provides commodities and funds to emergency food banks serving people with low incomes.

Currently serves: **these data are not collected**

FY 05 Appropriation: **\$190 million**

FY 06 President's Budget Request: **\$190 million**

FY 05 to 06 Change: **\$0**

Inflation Adjusted: **-\$3.7 million, or -2%**

Impact of the President's proposal

The President's budget flat funds TEFAP for FY 06. TEFAP is crucial because it fills gaps for those in immediate need who are not receiving sufficient benefits from other federal nutrition programs, or for those who are not receiving any other federal food aid at all.

For more information

Food Research and Action Center, www.frac.org, 202-986-2200

Information provided by

Ellen Teller, Food Research and Action Center

FOOD AND NUTRITION

Community Food and Nutrition Program (CFNP) (Appropriated funding)

The Community Food and Nutrition Program (CFNP) provides funds to local and state organizations to fight hunger and improve nutrition among low-income households.

FY 05 Appropriation: **\$7 million**

FY 06 President's Budget Request: **\$0**

FY 05 to 06 Change: **- \$7 million or - 100%**

Impact of the President's proposal

The President's budget provides no funding for CFNP, which is currently funded at \$7 million. This very successful and highly regarded program funds community-based services across the country that have helped thousands of needy families obtain the nutrition benefits they need. The elimination of this program will mean a steep reduction in educational activities at the local level that ensure that low-income families know about the nutrition programs that can support them and their children during difficult financial periods. This will mean, for example, fewer low-income children knowing that there is a high quality summer nutrition and community garden program available in their area that they can participate in for free and where to find it, or fewer working families with limited budgets knowing that they could be eligible for food stamps and how to apply.

For more information

Food Research and Action Center, www.frac.org, 202-986-2200

Information provided by

Ellen Teller, Food Research and Action Center

FOOD AND NUTRITION

Food Stamp Program (Mandatory funding)

The Food Stamp Program provides low-income households with monthly allotments to buy food at stores. The federal government pays 100 percent of the direct food stamp costs. States or local governments share administrative costs with the federal government. The Food Stamp Program also funds employment and training services for some individuals.

Currently serves: **26 million people**

FY 05 Estimated Expenditure: **\$34.032 billion**

FY 06 President's Budget Expected Expenditure: **\$37.512 billion**

Impact of the President's proposal

The President's budget proposes maintaining the Food Stamp Program in its current form, with one important exception: categorical eligibility. Under current law, households in which all members receive TANF-funded services, including non-cash assistance funded by the TANF block grant, can be deemed categorically eligible for food stamps. The Administration is proposing legislation to restrict categorical eligibility for TANF recipients only to those receiving cash assistance. This change would make 300,000 current participants ineligible for food stamps.

As the FY 05 budget did, the FY 06 proposed budget contains a Food Stamp Program reserve of \$3 billion as a cushion for meeting increased participation. The budget also proposes to exclude combat-related pay increases when determining food stamp benefits for members of the armed forces in order to ensure that the low-income families of military personnel in combat situations do not experience a loss of food stamps.

The President's budget projects an increase in the number of food stamp participants, from 26.4 million in FY 05 to 29.1 million in FY 06, resulting in a spending increase of \$3.48 billion.

Food stamps reached only 54 percent of the eligible people in 2002. In addition to helping families stave off hunger, increasing the food stamp participation rate helps local economies; each \$5 in federally funded benefits generates nearly \$10 in economic activity.

For more information

Food Research and Action Center, www.frac.org, 202-986-2200

Information provided by

Ellen Vollinger, Food Research and Action Center

FOOD AND NUTRITION

Child Nutrition Programs – School Lunch, School Breakfast, Summer Food Service Program, and Child and Adult Care Food Program (Mandatory funding)

The School Lunch and School Breakfast Programs provide nutritious meals to low-income children in a school setting. The School Lunch Program can also provide snacks in after school programs and summer meals as part of summer school. The Summer Food Service Program provides meals and snacks to children in low-income areas during the summer months in schools, parks and recreation programs, and programs operated by community-based organizations. The Child and Adult Care Food Program provides meals and snacks to children in child care centers, family child care homes and after school programs. It can also reimburse the cost of meals for elderly people in adult day care programs.

School Lunch currently serves: **29.4 million children**

School Breakfast currently serves: **9.3 million children**

Summer Food Service currently serves: **1.8 million children**

Child and Adult Care Food currently serves: **2.8 million children and 94,000 elderly**

FY 05 Estimated Expenditure: **\$12.4 billion**

FY 06 President's Budget Expected Expenditure: **\$12.9 billion**

Impact of the President's proposal

The budget proposes continuing the child nutrition programs at their current funding levels as currently authorized. Funding will increase as reimbursement rates rise with inflation and participation increases. These programs make a nutritional and educational difference for children. They ensure that children, regardless of income, receive the nutrition they need during the day, and that they are ready to learn. They also provide outside school hours programs with needed resources for food, and the snacks and meals provided by these programs attract children to the important educational and recreational activities offered after school and during the summer months.

The President's Budget both praises the Child and Adult Care Food Program as a support for "child care, a critical tool for working families," and targets the program for further scrutiny by allocating four million dollars to fund a study and other activities to "help ensure that CACFP payments are correctly made."

For more information

Food Research and Action Center, www.frac.org, 202-986-2200

Information provided by

Randy Rosso, Food Research and Action Center

HEALTH PROGRAMS

Medicaid and SCHIP (Mandatory funding)

Medicaid provides health care coverage and long-term care to more than 51 million low-income children, parents, seniors, and people with disabilities. Medicaid is an open-ended entitlement program that is jointly financed by the states and the federal government and administered by the states. On average, the federal government pays for 57 percent of the cost of the program, but this amount varies from 50 percent to 77 percent, depending on a state's per capita income. Federal Medicaid funds are the largest source of federal funds for states. Medicaid provides comprehensive health care coverage for individuals who could not afford to purchase health care on their own, paying for nearly half of all nursing home care, and nearly one-fifth of all hospital care and all prescription drugs. SCHIP is a federal entitlement program that helps states provide health insurance for uninsured low-income children who may not qualify for Medicaid.

Medicaid currently serves: **51million people (38 million low-income children and parents; 12 million elderly and disabled)**

SCHIP currently serves: **About 4 million children**

Impact of the President's proposal

The Administration's 2006 budget includes legislative proposals that would reduce gross federal funding for Medicaid by just over \$60 billion over the period from 2006 to 2015. The budget also proposes to spend \$15 billion for new initiatives within Medicaid, which would result in a net cut of \$45 billion over the next ten years. However, there are no guarantees that this new spending will occur. In fact, \$10 of the \$15 billion is based on projected increases in SCHIP enrollment of currently eligible children over ten years, due to a small investment in increased outreach efforts in the first two years. If these enrollment increases do not occur, that money will not be spent. Although the budget plans for increased SCHIP outreach, it does not propose any increase to serve more children over the next ten years.

These cuts in federal Medicaid funding will significantly reduce the program's ability to meet the needs of people who rely on Medicaid for critical health care services and would shift enormous costs to the states. One example of the growing impact of cuts over time is that in 2010 the amount cut would be large enough to provide health care for 1.8 million children or 345,000 senior citizens in that year. The President's budget proposes cutting funding in part by tightening the rules that govern how states match federal Medicaid funds.

States stand to lose a significant amount of federal Medicaid funds at a time that they cannot afford to. States are already struggling to meet Medicaid costs, and a reduction in federal funding would shift additional costs to states. Most states would not be able to absorb the added financial pressure and would be forced to reduce coverage or benefits, raise taxes, or cut funding for other priorities.

Besides funding cuts, the President's budget also suggests making a significant structural change to the program that would further disadvantage states and the program's beneficiaries. While the proposal lacks specificity, the rhetoric suggests that the federal government would introduce a cap on at least part of the program's federal funding. A funding cap would end entitlement to at least some beneficiaries, resulting in low-income, uninsured people being turned away or wait-listed. A cap would also end the guarantee that states would receive full federal matching funds for their Medicaid costs, which would reduce state flexibility to meet their residents' health care needs. Over time, a cap would result in a reduction of federal funding to states, shifting more burden on the states. The states in turn would likely cut back on coverage, benefits, and provider payments.

The Administration's 2006 proposal is likely to be just the beginning of the major debate over the funding and structure of the Medicaid program this year. Any cuts or caps will cause the greatest damage to the sickest, oldest, and most vulnerable people including millions of children and seniors now receiving health coverage through Medicaid.

For more information: Families USA; www.familiesusa.org; phone: 202-628-3030

Information provided by: Rachel Klein, Families USA, rklein@familiesusa.org

HOUSING

HOPE VI (Appropriated funding)

HOPE VI is designed to revitalize severely distressed public housing. HOPE VI grants enable public housing authorities (PHAs) to fund the capital costs of rehabilitating units, building new units, demolishing public housing units, relocating residents, and providing community and supportive services.

Currently serves: **Under the program, 117,000 units have been demolished and 50,000 more are slated for demolition.**

FY 05 Appropriation: **\$143 million**

FY 06 President's Budget Request: **\$0**

FY 05 to 06 Change: - **\$143 million**

Impact of the President's Proposal

HOPE VI is intended to benefit the current residents of severely distressed public housing, residents of the revitalized units, and communities surrounding revitalized sites. The program increases private investment in communities and creates mixed-income housing.

From 2000 through 2003, Congress funded the HOPE VI program at levels above \$570 million each year. The President proposed eliminating the program in his 2004 and 2005 budgets; last year Congress appropriated \$143 million for the program. The President has proposed rescinding the FY 05 funding of \$143 million, thereby zeroing out the HOPE VI program for fiscal year 2006.

HOPE VI is one piece of the federal commitment to public housing. While advocates believe HOPE VI should be reformed and improved, the elimination of the program demonstrates the Administration's lack of dedication to public housing. Although Congress did not agree to the President's proposed elimination, it appropriated historically low amounts to the program for 2004 and 2005, despite bipartisan support on Capitol Hill.

The Administration's third attempt to eliminate the HOPE VI program is part of the Administration's broader lack of support for families in need of affordable housing. According to the National Low Income Housing Coalition, there is a \$20 billion backlog in capital needs for public housing modernization. (See "Public Housing").

The failure to address the capital needs of public housing will worsen already high levels of unmet need. In 2003, nearly half of America's renter households lived in unaffordable housing. In contrast, there are only 1.4 million public housing units plus 2 million housing vouchers nationwide. The elimination of HOPE VI without increasing resources for the public housing capital fund will cause public housing to deteriorate and living conditions for tenants to decline.

For more information

National Low Income Housing Coalition; www.nlihc.org

Information provided by

Kim Willis, National Low Income Housing Coalition

HOUSING

Low Income Home Energy Assistance Program (Appropriated funding)

The Low Income Home Energy Assistance Program (LIHEAP) helps low-income households pay their energy bills. LIHEAP funds grants to states based on a federal funding level approved each year.

Currently serves: **approximately 5 million out of 30 million eligible households**

FY 05 Appropriations: **\$1.885 billion plus \$297 million in contingency funds**

FY 06 President's Budget Request: **\$1.8 billion plus \$200 million in contingency funds**

FY 05 to 06 Change: **\$85 million (4.5 percent) reduction in the regular block grant program and \$97 million (32.7 percent) reduction in contingency funds.**

Inflation Adjusted: **\$120 million (6.4 percent) reduction in the regular block grant program and \$100.9 million (34 percent) reduction in contingency funds.**

Impact of the President's proposal

Although the President's recommendation for LIHEAP is the same as he proposed last year, it represents a \$182 million reduction from the amount appropriated by Congress for FY 05.

LIHEAP is inadequately funded now and can serve only one out of six eligible households. At a time when home heating oil and natural gas prices are at all time highs, the proposed cuts would put an even greater financial burden on low-income families who depend on LIHEAP to help pay their energy bills. It would also have a severe impact on states, which would be forced to reduce the benefit level per household or limit the number of eligible applicants who receive help.

Two-thirds of the families that receive LIHEAP make less than \$8,000 per year. LIHEAP benefits are targeted to households with the highest energy costs relative to income and household size.

Studies have shown that nearly half of the households eligible for LIHEAP assistance – the elderly, disabled, working poor and low-income families with small children – often make unhealthy sacrifices, such as doing without food or medicine, in order to pay their energy bills. Sharply higher energy costs pose an even greater burden on low-income households than they do for the population as a whole. While the typical U.S. household spends 6 percent of its income on energy bills, it is not unusual for energy costs to take up 30 percent or even 40 percent of a low-income household's income.

The Administration also proposes placing an overall cap on all non-defense, non-Homeland Security discretionary spending for the next five years. Between 2006 and 2010, those discretionary caps could result in cuts totaling \$165.2 million from LIHEAP.

For more information

Campaign for Home Energy Assistance: www.liheap.org, 202-331-2962

Information provided by

David Fox, Campaign for Home Energy Assistance

HOUSING

McKinney-Vento Homeless Assistance Programs (Appropriated funding)

The McKinney-Vento Homeless Assistance Programs are a collection of discretionary (appropriated) programs that serve a wide variety of homeless Americans through a continuum of care. The programs provide access to emergency shelter, transitional and permanent housing, and supportive services for homeless people.

Currently serves: **250,000 on any given night**

FY 05 Appropriations: **\$1.241 billion**

FY 06 President's Budget Request: **\$1.415 billion**

FY 05 to 06 Change: **\$174 million, or 14%**

Inflation Adjusted: **\$146 million, or 11.8%**

Impact of the President's proposal

Up to 800,000 people are homeless on any given night, and up to 3.5 million over the course of a year. If the Administration's proposed increase is adopted, it will increase the capacity of the network of faith-based and community organizations that receive these funds to serve more people. Unmet need, however, will remain high.

The increased funding is largely intended to fund new supportive housing for the most vulnerable homeless people, those who have severe disabilities and have been homeless for long periods of time. With the increased funding, permanent supportive housing would likely be provided for approximately 8,500 additional people who now suffer a nightmarish existence, shuffling between the streets and shelter along with jail, emergency mental health care, and detoxification. This would be accomplished without any loss of funding for existing programs.

Permanent supportive housing has proven to be a cost-effective means to stably house people who most have already given up on. Once housed with access to treatment and support services, people with severe mental illness who have been homeless are usually able to remain housed, and their lives improve substantially. Use of expensive emergency systems drops precipitously, saving taxpayers enough money to pay for the supportive housing.

Other kinds of programs funded by the Homeless Assistance Grants include outreach to homeless people on the streets; temporary and permanent housing for families, children and others; and support services. All are desperately needed as cities and states pursue solutions to the problem of homelessness.

The proposed increase is an important step in this direction, although it is still not enough to restore these programs to the level they were funded in 1995 (\$1.49 billion). The program has never been funded at its authorized level of \$1.8 billion, and has never obtained funding at levels close to those needed to reach and serve all 3.5 million homeless Americans.

Note: Some descriptions of the 2006 budget list \$1.440 billion as the funding level for these programs. That total includes \$25 million that would be transferred to the Labor Department for a prisoner reentry initiative that, while worthwhile, is not homeless assistance and would not be distributed through these programs, and so is not included in this description.

For more information

National Alliance to End Homelessness; www.endhomelessness.org; phone 202-638-1526

HOUSING

Public Housing (Appropriated funding)

The public housing program is the nation's oldest and most extensive effort to provide decent and affordable housing for extremely low-income families, elderly persons and people with disabilities. Public housing is owned and operated by public housing agencies (PHAs) that are chartered by the states.

Currently serves: **1.2 million households**

FY 05 Appropriation

Capital Fund: \$2.579 billion

Operating Fund: \$2.438 billion

FY 06 President's Budget Request

Capital Fund: \$2.327 billion

Operating Fund: \$3.407 billion

FY 05 to 06 Change

Capital Fund: \$-252 million, or - 9.8%

Operating Fund: \$+969 million, or 39.7%

Inflation Adjusted

Capital Fund: \$-298 million, or - 11.5%

Operating Fund: \$+902 million, or 37.0%

Impact of the President's proposal

Public Housing Agencies use the public housing capital fund to provide for the capital and management needs of public housing, including modernization and rehabilitation. The Administration's FY 06 budget would cut the capital fund by \$252 million. There is currently at least a \$20 million backlog in modernization needs. At a time when many public housing developments are in need of extensive rehabilitation, a \$252 million cut would mean low-income residents would have to continue to reside in units that are in need of repair. The Administration's proposal to underfund the capital fund provides incentives to PHAs to demolish or dispose of units that are critical to the affordable housing stock.

Under the Administration's proposal, it appears that the operating fund would receive an increase of \$969 million. However, the increase is not an increase from the FY 05 levels because of a change in the way that operating funds were appropriated in FY 05. In FY 05 the appropriators shifted the PHAs' operating fund calendar year to allow for a one-time budget savings. The actual funding level for the operating fund was \$3.4 billion, which makes the FY 06 proposed level relatively flat funding for the operating fund. At this level, only 89 percent of PHAs' actual operating costs are funded. PHAs use the operating fund to pay for utilities, provide resident services, and pay PHA employee salaries. Due to the current funding levels, many PHAs have had to reduce staff size and amount of resident services provided.

Also, included in the proposed funding for the operating fund is \$10 million in "bonus funds" for PHAs who "assist" public housing residents off of housing assistance programs. As PHAs are under tight budget constraints, the "bonus funds" incentive will encourage more PHAs to push low income families out of housing assistance programs when many have unstable employment.

Very few public housing units have been built in the past twenty years. Throughout the country, thousands of households are on waiting lists for public housing. Public housing units are being demolished and affordable housing rental units for extremely low income people are not being built at the same rate. The Administration's FY 06 proposed funding level for the public housing capital fund and the "bonus funds" set aside in the operating fund encourages PHAs to demolish or dispose of public housing and push families off of federal housing assistance, thereby, exacerbating the affordable housing crisis.

For more information

The National Low Income Housing Coalition, www.nlihc.org

Information provided by

Kim Willis, National Low Income Housing Coalition, kimw@nlihc.org

HOUSING

Section 8 Housing Voucher Program (Appropriated funding)

The Section 8 tenant-based rental assistance programs helps families afford rental housing by subsidizing the rents of apartments they locate in the private market. The Section 8 voucher travels with the families in the program to allow them to escape high-poverty, underdeveloped or dangerous neighborhoods and/or live closer to work. The voucher program is the only federal housing program serving low-income families that has grown with the population over the last 20 years.

Currently serves: **2.0 million families**

FY 05 Appropriations: **\$14.766 billion**

FY 06 President's Budget Request: **\$15.845 billion**

FY 05 to 06 Change: **\$1.079 billion, or 7.3%**

Inflation Adjusted: **\$770 million, or 5.2%**

Impact of the President's proposal

The budget for 2005 cut funding by an amount equivalent to voucher funding for 80,000 families in need of housing. The President's proposal for 2006 only restores about half of that funding. For voucher renewals in 2006, the Administration has requested \$14.089 billion, which represents an increase of \$734 million above the 2005 amount of \$13.355 billion. Most of this increased funding is needed to meet the estimated increase in subsidy costs (due to rent and income changes) and to renew the additional vouchers that will be issued in 2005 to replace other federal housing assistance. Nearly two-thirds of the proposed increase in voucher renewal funding for 2006 is needed just to maintain the reduced number of vouchers funded in 2005. In addition, the budget would restore about half of the vouchers cut this year.

The proposal could fail to fund about 40,000 vouchers that could otherwise be used to assist needy families. HUD's renewal funding request would fund about 2,003,000 vouchers. This is about 94 percent of expiring vouchers in 2006. In contrast, more than 96 percent of authorized vouchers were in use in the summer of 2004.

The Administration proposes essentially block-granting Section 8, which would place a limit in voucher funds that is not based on the needs of families. The Administration proposes the complete conversion of funding for housing vouchers to a rigid "dollar-based" system that in effect would convert program funding to a block grant without objective basis in the number of authorized vouchers, the number of families receiving voucher assistance, or the cost of each voucher. Agency funding would be based on HUD allocations in 2005, without any adjustment for vouchers used this year.

Furthermore, the Administration's 2006 budget also calls for steep cuts in all non-defense, non-Homeland Security domestic discretionary spending over 2007-2010. If such cuts are enacted, voucher funding could be cut by \$3.5 billion in 2010, reducing the number of families assisted by 370,000 vouchers compared with 2005.

For more information

Center on Budget and Policy Priorities; www.cbpp.org; 202-408-1080

Information provided by

Will Fischer, Center on Budget and Policy Priorities fischer@cbpp.org

JOB TRAINING

Workforce Investment Act (Appropriated funding)

The Workforce Investment Act (WIA) provides funding for job placement and training services. Funding is divided among three streams – adult training, youth training, and dislocated worker assistance. WIA requires the creation of local “one-stop” centers for streamlined services. Workforce Investment Boards, composed of business people and government agency representatives, oversee the one-stop centers. A “sequence of services” is outlined: all people receive core services (job placement help, for example), fewer receive intensive services (for those harder to place) and even fewer enroll in training.

WIA – Adult Training Grants

The Workforce Investment Act (WIA) provides funding for job placement and training services. The funding takes the form of grants to States and territories to design and operate training and employment assistance programs for adults, including low-income individuals and public assistance recipients. The Secretary of Labor distributes 85 percent of the WIA adult worker money to local communities; 15 percent goes to Governors.

Currently serves: **239,222 adults in 2002**

FY 05 Appropriations: **\$890.9 million**

FY 06 President’s Budget Request: **part of \$3.91 billion consolidated block grant (see below)**

WIA – Youth Training Grants

These grants support a wide range of activities and services to prepare low-income youth for academic and employment success, including summer jobs. The program links academic and occupational learning with youth development activities. About three-quarters of the money for youth training in WIA funding is distributed to states by formula; the Secretary of Labor distributes the rest of the money through a competitive grant process.

Currently serves: **164,222 younger and older youth participants in 2002**

FY 05 Appropriations: **\$986.3 million**

FY 06 President’s Budget Request: **part of \$3.91 billion consolidated block grant (see below)**

WIA – Dislocated Worker Training Grants

These grants provide reemployment services and retraining assistance to individuals dislocated from their employment. The Secretary of Labor distributes 60 percent of the WIA adult dislocated worker funds to local communities; 40 percent goes to Governors for statewide activities and rapid response.

Currently serves: **178,380 dislocated workers in 2002**

FY 05 Appropriations: **\$1.186 billion**

FY 06 President’s Budget Request: **part of \$3.91 billion consolidated block grant (see below)**

Impact of the President’s proposal

As part of the budget proposal, the Administration recommends consolidating funding from the above three programs with four additional funding streams - the Dislocated Worker National Reserve Account, Employment Service state grants, the Labor Market Information Service, and Work Opportunity Tax Credits - into a single block grant to states that would be funded at \$3.91 billion.

This allocation would amount to an overall cut in funds for the subsumed programs of approximately four percent, but it is unclear at this time how each program would be affected individually. Access to training services has actually decreased since the implementation of WIA, making this an especially bad occasion to further cut funds to the workforce investment system. The Center for Law and Social Policy found that 34 percent fewer people received job training in 2002 than in 1998. States and localities already have sufficient flexibility to move funds between programs; a block grant could leave WIA vulnerable to future funding cuts at a time when training is already becoming difficult to obtain.

The proposed consolidation of programs will dramatically undercut the ability of the nation's education and training providers to prepare a variety of workers for the skilled, living-wage jobs that employers around the country are offering.

The Bureau of Labor Statistics estimates that the number of jobs requiring either an associate's degree or a postsecondary vocational credential will grow by 24.1 percent during this decade. By 2020, according to another estimate, there will be 15 million new U.S. jobs requiring college preparation; yet at current rates the U.S. will only add a net of 3 million workers with postsecondary credentials to its labor supply, leaving a potential 12 million skilled jobs unfilled.

Research shows that job training is an essential component to efforts to move families from welfare into work. The welfare-to-work programs that have been most successful in helping parents work more and increase earnings over the long run are those that include substantial access to education and training, together with employment services and a strong overall focus on work as the goal.

On a broader scale, the President's budget would reduce spending for training programs at the U.S. Department of Labor by \$329 million (or 5 percent) from their FY 05 appropriated levels.

For more information

The Workforce Alliance; www.workforcealliance.org; 202-223-8991

Information provided by

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